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E.O. 12958: N/A

TAGS: ETRD ECON UR AR

SUBJECT: AUSTR EISSENSTAT VISIT TO ARGENTINA

REF: A. BUENOS AIRES 2061

1B. MONTEVIDEO 943

SUMMARY

11. (SBU) Assistant United States Trade Representative Everett Eissenstat met October 4 with Foreign Ministry Secretary of International Economic Relations Chiaradia to review WTO, GSP, and regional trade issues, including the U.S. bilateral dialogue with Mercosur member Uruguay. Chiaradia stressed common interests in re-energizing the WTO process, asking for U.S. movement on agriculture domestic support issues, and offering to engage in Geneva on non-agricultural market access (NAMA) issues. He understood the administrative nature of our GSP review/renewal process and hoped that any program modifications would be "minimally disruptive" to bilateral trade. Chiaradia said the GoA has been following Uruguay's domestic debate on the relative costs and benefits of Mercosur membership and noted Uruguay's dissatisfaction with internal Mercosur market distortions that have skewed industrial investment to its larger members. He called Argentina sympathetic to Uruguay's industrial development concerns and its desire for a deeper bilateral trade dialogue with the U.S. AUSTR Eissenstat explained that the U.S. had

exchanged Bilateral Investment Treaty instruments of ratification with Uruguay and that the US is now moving to launch Trade and Investment Framework Agreement negotiations to deepen our U.S./GoU bilateral dialogue. In response, Chiaradia suggested that Argentina and the U.S. consider revitalizing our own Bilateral Committee on Trade and Investment (last convened in the spring of 2004) as a vehicle to similarly deepen the U.S./GoA trade and investment dialogue. Eissenstat also met with the American Chamber of Commerce Executive Committee and separately with representatives of companies with intellectual property, patent and trademark concerns in Argentina). Press coverage of the visit - based largely on an interview AUSTR Eissenstat held with local media at the Embassy - was generally balanced and positive. END SUMMARY.

GoA VIEW - COMMON GROUND

¶2. (SBU) AUSTR Eissenstat, USTR Brazil and Southern Cone Director Sue Cronin and Department of Commerce Argentine Desk Officer Alex Peacher met October 4 with Foreign Ministry Secretary of Trade and International Economic Relations

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Alfredo Chiaradia and members of his trade team, including Under Secretary for Economic Integration Eduardo Sigal, Under Secretary for International Commerce Luis Kreckler, and

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Director of North American Affairs Vicente Espeche Gil. Discussions focused on WTO negotiations, with Chiaradia stressing common interests in re-energizing the WTO process, asking for U.S. movement on agriculture

domestic support issues, and offering to engage in Geneva on non-agricultural market access (NAMA) issues. Movement on the Doha Round, Eissenstat noted, might give some impetus to the U.S. Congress' renewal of Trade Promotion Authority. Chiaradia suggested Argentina could contribute "constructively" to the WTO dialogue on services, but indicated that could only happen after resolution of agricultural market access issues. Eissenstat appreciated Chiaradia's offer to engage on NAMA and stressed the need to move rapidly together to revitalize broad Doha Round negotiations.

¶3. (SBU) On GSP, Eissenstat noted the administrative, objective and transparent nature of the ongoing program renewal review. He stressed that Argentine media's presumption that our GSP review is a punishment linked to Argentina's WTO negotiating stance is simply not the case. Chiaradia called the GSP review "legitimate" but expressed concern that its end result might be "too extreme." If Washington rumors that the U.S. will ultimately alter treatment of over 80% of products that currently receive GSP benefits are true, Chiaradia said, it would not be a renewal but rather an entirely new GSP program. Mentioning four different draft GSP renewal bills currently under consideration by the U.S. Congress, Chiaradia said the GoA favors a proposal by House Ways and Means Chairman Bill Thomas that "focuses on CNL waivers but does not alter the basics of the GSP program." Chiaradia noted the GoA's "measured" response (ref A) to the Federal Register public comment request, said the Argentine "government is not going to be the one to raise the level of difficulty" in the GSP debate, and concluded that the GoA would be "comfortable" with a modified GSP program not "disruptive to overall trade." He also indicated that the GoA would be willing to work with the U.S. to dampen domestic political fallout if an eventual GSP renewal decision is interpreted unfavorably by the Argentine public.

¶4. (SBU) Chiaradia asked for a briefing on AUSTR Eissenstat's trade discussions in Uruguay earlier that week (ref B).

Eissenstat noted U.S. efforts to expand our bilateral trade dialogue with all/all trade partners, including Uruguay. He understood Argentina and Mercosur members' interest in these discussions and expressed U.S. support for all WTO-consistent regional economic integration initiatives, including Mercosur, making clear that our ongoing discussions with the GoU are in no way meant to undermine broader Mercosur integration efforts. Chiaradia responded, "You're trying to improve your relationship with Uruguay; we're trying to do the same." He noted that the GoA has been following Uruguay's domestic debate on the relative costs and benefits of Mercosur membership, adding that Uruguay has long expressed dissatisfaction with internal Mercosur market distortions that have skewed industrial investment to the common market's larger members. He added that rules of origin and local content remain particularly sensitive issues in a Mercosur customs union that has yet to perfect its common external tariff, and cited as an example Mercosur member concern over Uruguay's attempt to import bicycle kits

from China to assemble and market internally to Mercosur partners. As the only member of the Mercosur bloc that sees itself both as a small member (relative to Brazil) and a large member (relative to Uruguay and Paraguay), Chiaradia called Argentina sympathetic to Uruguay's industrial development concerns and its desire to deepen its bilateral trade dialogue with the U.S. He closed repeating that the U.S. and Argentina have similar objectives in enhancing bilateral dialogues with Uruguay.

¶5. (SBU) AUSTR Eissenstat explained that the U.S. had exchanged Bilateral Investment Treaty instruments of ratification with Uruguay, that the treaty will enter into effect in 30 days, and that we are now moving to launch Trade and Investment Framework Agreement (TIFA) negotiations as a follow-on step in deepening our bilateral dialogue. In response, Chiaradia suggested that Argentina and the U.S. consider revitalizing our own Bilateral Committee on Trade and Investment (BCTI - last convened in the spring of 2004) as a vehicle to continue and deepen today's dialogue. Eissenstat promised to discuss the idea with Deputy USTR Veroneau.

PRIVATE SECTOR - TROUBLE ON THE HORIZON

¶6. (SBU) During a follow-on lunch with American Chamber of Commerce's Executive Committee members, several expressed concern about the Kirchner administration's macroeconomic and micro-price control policies. A number focused on limited electricity sector generating capacity as a likely near term constraint on growth. One noted that an energy conference planned for the next day, where criticism of GoA energy sector policies would have received media attention, was canceled due to pressure from President Kirchner. A representative of Exxon added "Every day we get calls from government officials, demanding price rollbacks and otherwise intervening in our market." A representative of Cargill questioned how Argentina would maintain its primary fiscal surplus when global commodity prices inevitably fall, since such a high percentage of GoA revenue depended on export tariffs. He also expressed doubt about the future of MERCOSUR, noting that "with the incorporation of Venezuela, the picture is much more messy."

¶6. (SBU) AmCham Board members asked about U.S. TIFA negotiations with Uruguay, which Eissenstat explained were based on Uruguay's own interest and efforts to move forward on bilateral trade and investment opportunities. In response to a question on why the U.S. has chosen to pursue bilateral agreements with Latin American nations rather than the hemispheric FTAA, Eissenstat explained that the U.S. continues to pursue all available multilateral, regional and bilateral opportunities to lower trade barriers and promote international commerce.

¶7. (SBU) AUSTR Eissenstat later attended an Embassy-hosted reception with representatives of U.S. companies with patent,

copyright and trademark intellectual property concerns. He also provided a group interview to reporters from newspapers La Nacion, Clarin and Cronista Comercial. Articles based on the interview on October 5 focused on WTO, Mercosur and GSP themes. Transcripts have been forwarded to USTR and the Department.

COMMENT

¶8. (SBU) AUSTR Eissenstat's visit offered a worthwhile opportunity to re-engage with the GoA on bilateral and regional trade issues. Chiaradia's remarks in our meeting were forthcoming and his offer to engage on NAMA issues welcome. His comments on GSP and TPA made it clear that the GoA is closely following the political debate in Washington. AUSTR Eissenstat's description of his discussions in Uruguay and our steps to pursue TIFA (rather than full FTA) negotiations were an obvious relief to GoA trade officials, given the concern Chiaradia had earlier expressed (ref A) that Mercosur disciplines and integrity be maintained. For their part, U.S. private sector representatives were hopeful that this renewed USTR engagement with the GoA and a U.S./GoU TIFA dialogue might together help encourage the GoA to seek to improve Argentine trade and investment disciplines. Continued high-level trade dialogue is all to the good, and post strongly supports a revitalization of the Bilateral Committee on Trade and Investment as a vehicle to re-engage the GoA on trade-related and investment climate concerns.

¶9. (U) AUSTR Eissenstat has cleared this cable.
MATERA